SPECIFICATION

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TITLE: METHOD OF QUALIFYING A RENTER

FIELD OF THE INVENTION

The present invention relates to a method of enabling access to rental housing by potential renters who do not qualify by conventional leasing standards. Particularly, the method includes establishment of a warranty against rent default by a renter so that the landlord grants a lease to the renter.

BACKGROUND OF THE INVENTION

Many individuals have marginal creditworthiness. For example, a history of slow payment of debts or a bankruptcy can produce a negative credit report. A young person may have marginal creditworthiness simply by lacking a credit history. Presently, such individuals are rejected by landlords when they apply to rent housing based on a creditworthiness report from one of the retail credit reporting companies. When this happens, the rejected individual is forced to reside in publicly subsidized housing which may be inferior to rental housing being sought, by requiring, for example,

a substantially longer commute to the potential landlord's place of employment or living in a less desirable neighborhood.

A typical rental process sequence is:

- A potential renter applies to an apartment complex to rent available space.

- The management of the apartment complex runs a credit check and a background check consisting of a search for disqualifying criminal history.

- If the potential renter fails to qualify, the rental does not take place.

Often the rejection is based on marginal creditworthiness due to poor credit history or no credit history. Neither the potential landlord nor the management of the apartment complex has any recourse when this occurs. What is needed is a mechanism whereby potential renters who do not qualify on conventional grounds can have a chance to rent a desired residential space.

SUMMARY OF THE INVENTION

The invention is a method wherein a third party, a guarantor, runs a qualifying check on a potential renter. If the potential renter qualifies against the guarantor's criteria, which are less demanding than the conventional criteria used by typical apartment complex management, the

guarantor warrants the landlord (apartment complex management) against default by the renter. With this degree of assurance, the landlord is willing to enter into the lease.

According to the present invention, the method of a guarantor warrantying a landlord against rent default by the renter includes verifying the potential renter against lease warranty criteria by the lease guarantor. Qualifying the renter against a lease warranty includes the steps of: 1) qualifying the renter against the background check, 2) qualifying the renter against a modified credit check, and 3) qualifying the renter against an employment check. Where a renter qualifies against these checks, the guarantor provides a warranty to the landlord against default by the renter in exchange for the landlord granting a lease to the renter.

According to another aspect of the present invention, the background check includes investigating the renter's background for a felony and denying the warranty if the renter has a felony conviction. Additionally, the modified credit check includes reviewing the renter's credit for past due utility bills and denying the warranty if the renter has a past due utility bill.

According to a further aspect of the present invention, the employment check includes the steps of: 1) verifying that the renter is currently employed, 2) verifying that the renter has been continuously employed for a specified number of months, such as eight, 3) verifying that the renter's

annual income is at least a certain minimum amount, such as Fifteen Thousand Dollars ($15,000), and 4) verifying that the renter has attained a specified age, such as, at least twenty one years.

According to a still further aspect of the present invention, the warranty covers the payment of a remaining portion of the lease if there is default by the renter. Additionally, the method includes

5   the step of paying the guarantor a fee for the warranty.

According to another aspect of the present invention, the renter can remotely apply to qualify for the lease warranty by completing a guarantor's application on an Internet website.

According to a further aspect of the present invention, the method can include the step of providing a data base of landlords who would be willing to accept the warranty by the guarantor.

10   Additionally, the method can include the step of notifying the landlords listed on the data base via the Internet of a renter who is qualified by the guarantor.

OBJECTS OF THE INVENTION

The principal object of the present invention is to provide a means for individuals who are applying for a lease, but who do not qualify against conventional creditworthiness criteria, to be

15   qualified under less stringent criteria with a third party, whereupon the third party warrants the

landlord against default by the potential renter and the previously unobtainable lease agreement may

be consummated.

BRIEF DESCRIPTION OF THE DRAWINGS

The foregoing and other objects will become more readily apparent by referring to the

5   following detailed description and the appended drawings in which:

Figure 1 is diagrammatic flow chart of the invented method; and

Figure 2 is a diagrammatic flow chart of Figure 1 listing additional steps.

DETAILED DESCRIPTION

The present invention provides a method for enabling access to leased housing to a potential

10   renter who does not qualify against conventional leasing standards. As shown in Figure 1, the

invented method 10 includes inputting and processing personal and financial data 12 to qualifying

the potential renter against a lease warranty criteria 14. If the renter qualifies, then a lease guarantor

warranties 16 the lease against default 18 by the renter. Prior art methods utilize a background check

and a credit check to determine if a lease will be granted to the renter. The background check

includes review of the renter's criminal record. If a significant criminal record is found, then no lease

is possible. A potential renter that meets the background check is further processed by a retail credit

check generally via telecommunication means. The credit check includes review for judgment for

non-payment, bankruptcy, automobile repossession, medical bills, utilities, student loans, and no

5   credit. Aside from student loans and no credit, default on any of the retail credit check categories

results in a "no lease possible" outcome.

As illustrated in Figure 2, a renter denied a lease under prior art methods may still be able to

obtain a lease by using the method 10 of the present invention. Under the present invention, the lease

guarantor qualifies the potential renter against the lease warranty criteria 14. If the renter is approved,

10   the guarantor warranties 16 the landlord against default 18 by the renter. The lease warranty criteria

14 includes: 1) qualifying the renter against the background check 19; 2) qualifying the renter against

a modified credit check 20; and 3) qualifying the renter against an employment check 22. The

background check 19 is similar to prior art background checks in that the renter will not qualify if

they had been convicted of a felony 24.

15   The modified credit check 20 can include review of the same information as the prior art

credit check. However, automatic rejection from qualifying occurs only when the renter is in default

of paying a utility bill 26. Consequently, the renter can be approved despite having a judgment

against him for non-payment, bankruptcy, automobile repossession, medical bills or student loans, or no credit.

The employment check 22 includes the steps of: 1) verifying that the renter is currently employed 28, 2) verifying that the renter has been continuously employed for the previous specified number of (eight) months 30, 3) verifying that the renter's annual income is at least a certain amount (Fifteen Thousand Dollars ($15,000)) 32, and 4) verifying that the renter's age is at least twenty-one years 34. Additionally, the employment check 22 can require that the renter's annual income is at least fifty times the amount of monthly rent. An alternative method adjusts the required annual income 32 by any method such as, for example, a fixed percent, the cost of living index as of January 1, 2001, a fixed amount, etc.

Where the renter qualifies against the lease warranty criteria 14, the guarantor enters a warranty agreement 16 with the landlord against default 18 of rent payment by the renter. In consideration of warranting 16 the lease, the guarantor receives a fee 38 and the landlord enters a lease agreement 40 with the renter. The warranty 16 provides that upon default 18 of rent payment by the renter, the guarantor will provide default payment 41 for at least a portion of the remaining term of the lease. The default payment 41 can be limited such as, for example, to cover only two months of the remaining months of the lease. Additionally, the warranty 16 can be limited in duration. For example, the warranty 16 can extend for only a portion of the lease agreement 40 such

as covering only the first half of the lease. Typically, the obligation under the warranty 16 will not become effective until there is verification 42 that the renter is in default 18. Methods for verifying 42 that the renter is in default 18 include: 1) an ejectment conviction, and 2) verification that the renter has abandoned the leasehold by physical inspection by or on behalf of the guarantor.

5   The fee 38 to the guarantor is typically paid by the renter. The fee 38 can be determined by any of a variety of methods. For example, the fee 38 can be based according to a percent of the annual rental rate, or a percent of the renter's annual income, or graduated according to a range of the annual rental price or a range of the renter's annual income. Additionally, the fee 38 can be adjusted upward or downward depending on the number of misdemeanor convictions and/or the extent of defaults as indicated by a standard background check. Typically, bankruptcy will result in the fee being adjusted upward by a multiplier such as, for example, by a factor from 1.1 to 1.5.

An Internet website can also be provided so that the renter can remotely input personal and financial data 12 to apply to qualify for the lease warranty 16 by completing and submitting an on-line application. The fields of the application are to be completed with information sufficient for the background check 18, modified credit check 20 and employment check 22 to be conducted. Examples of appropriate fields include the potential renter's name, address, Social Security Number, name of employers over the previous eight months, telephone numbers of such employers, date of birth, number of consecutive months employed, etc.

8

A data base 43 can be provided of landlords who would grant a lease to a renter based on the warranty by the guarantor. The landlords can be notified 44 via the Internet, or by any other method, of a renter who is qualified by the guarantor. Also, a list of landlords can be provided to the renter.

The steps of the method 10 can be performed by a computer software program. Entry into the program includes the results of the background check 19, the modified credit check 20 and the employment check 22. Where the renter does not qualify against the lease warranty criteria 14, the program outputs that no warranty is possible 46. Where the renter qualifies against the lease warranty criteria 14, the program outputs the guarantor fee agreement 38, the range of rent in which the warranty 16 is valid and a list of landlords 43 who would be willing to enter a warranted lease agreement 40.

SUMMARY OF THE ACHIEVEMENT
OF THE OBJECTS OF THE INVENTION

From the foregoing, it is readily apparent that I have invented a method whereby individuals who are applying for a lease but who do not qualify against conventional creditworthiness criteria can be qualified under less stringent criteria with a third party where upon the third party warrants the landlord against default by the potential renter and the previously unobtainable lease agreement may be consummated.

It is to be understood that the foregoing description and specific embodiments are merely illustrative of the best mode of the invention and the principles thereof, and that various modifications and additions may be made to the apparatus by those skilled in the art, without departing from the spirit and scope of this invention, which is therefore understood to be limited only by the scope of

5   the appended claims.